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# HM Revenue and Customs

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## Introduction

1. This Estimate covers expenditure on the HM Revenue & Customs Department (HMRC). Our aim is to administer the tax and customs control systems fairly and efficiently and make it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements. Our objectives cover improvement in the extent to which individuals and businesses pay the amount of tax due and receive the credits and payments to which they are entitled; improvement in customer experience; and strengthening frontier protection in a way that balances the need to maintain the UK as a competitive location in which to do business. We also have to meet challenging efficiency targets.
2. We are responsible for collecting the bulk of tax revenue. We manage: Income, Corporation, Capital Gains, Inheritance, Insurance Premium, Stamp, Land and Petroleum Revenue taxes; Value Added Tax (VAT); excise duties; customs duties and frontier protection; environmental taxes - climate change and aggregates levy and landfill Tax; National Insurance Contributions; Tax Credits; Child Benefit and the Child Trust Fund; enforcement of the National Minimum Wage; recovery of Student Loan repayments, and statutory payments.
3. Details of the expenditure contained in this Estimate can be found in the HM Revenue & Customs Departmental Report 2006 (Cm 6832).
4. Symbols are explained in the Introduction to this booklet.

## Part I

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<b>Request for Resources 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements</b>	<b>4,447,285,000</b>
<b>Request for Resources 2: Growing a contribution to the good management of property where the public interest is involved</b>	<b>1,000</b>
<b>Request for Resources 3: Providing payments in lieu of tax relief to certain bodies</b>	<b>78,000,000</b>
<b>Request for Resources 4: Making payments of rates to Local Authorities on behalf of certain bodies</b>	<b>36,871,000</b>
<b>Request for Resources 5: Payments of Child Benefit and Child Trust Fund endowments</b>	<b>10,391,462,000</b>
<b>Total net resource requirement</b>	<b>14,953,619,000</b>
<b>Net cash requirement</b>	<b>15,005,503,000</b>

Amounts required in the year ending 31 March 2007 for expenditure by the HM Revenue and Customs on:

**RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements**

administration and the associated non-cash items incurred in the management and collection of the direct and indirect taxes, duties and levies, Shipbuilders' Relief, new tax credits, National Insurance contributions, Child Benefit and the Child Trust Fund, Money Laundering regulatory regime, the National Insurance Funds for Great Britain and Northern Ireland; OPG and government banking services; the operation of customs controls including prohibitions and restrictions; the provision of trade information; the provision of Capital Grants for Excise Tax Stamps; the provision of resources to independent investigatory bodies (including the HMIC, IPCC and the police authorities) to facilitate the independent inspection of professional standards within the Department, the investigation of allegations of mis-conduct or criminal activities by Departmental staff and fulfilment of reciprocal complaints investigation arrangements with police authorities; the provision of incentive payments for e-filing; payments in respect of the Customs National Museum; air travel carbon-offsetting; and for services provided to the department's information technology and wider markets' partners, other departments and public bodies and overseas tax administration.

**RfR 2: Growing a contribution to the good management of property where the public interest is involved**

administration and the associated non-cash incurred in the provision of valuation and other services for government departments and other public bodies by the Valuation Office Agency.

## Part I

### RfR 3: Providing payments in lieu of tax relief to certain bodies

transitional payments to charities, supplements on payroll giving, donations to charities and on personal and stakeholder pension schemes, life assurance premium relief, stamp duty relief and residual payments for mortgage interest relief, vocational training relief and private medical insurance.

### RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies

rates paid by Her Majesty's Revenue and Customs in respect of non-domestic property occupied by accredited representatives of Commonwealth and foreign countries and certain international organisations, contributions in lieu of rates in respect of properties occupied by the Crown in Gibraltar and other similar payments.

### RfR 5: Payments of Child Benefit and Child Trust Fund endowments

payments of Child Benefit, Child Trust Funds and the associated non-cash items.

HM Revenue and Customs will account for this Estimate.

	Net total	Allocated in Vote on Account	Balance to complete
RfR 1	4,447,285,000	1,979,456,000	2,467,829,000
RfR 2	1,000	-	1,000
RfR 3	78,000,000	40,500,000	37,500,000
RfR 4	36,871,000	30,105,000	6,766,000
RfR 5	10,391,462,000	4,535,308,000	5,856,154,000
<b>Total net resource requirement</b>	<b>14,953,619,000</b>	<b>6,585,369,000</b>	<b>8,368,250,000</b>
<b>Net cash requirement</b>	<b>15,005,503,000</b>	<b>6,866,011,000</b>	<b>8,139,492,000</b>

## Part II: Subhead detail

										£'000	
2006-07 Provision							2005-06 Provision	2004-05 Outturn			
Resources						Capital Non- operating A in A		Net Total Resources	Net Total Resources		
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A	Net Total Resources	Net Total Resources		
1	2	3	4	5	6	7	8	9	10		
<b>RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements</b>											
4,489,922	71,289	325,435	4,886,646	439,361	4,447,285	270,966	3,818	4,575,312	4,093,442		
<b>Spending in Departmental Expenditure Limits (DEL)</b>											
<i>Central Government spending</i>											
A Administration											
4,489,922	67,789	435	4,558,146	435,862	4,122,284	270,966	3,818	4,322,311	4,093,442		
<b>Spending in Annually Managed Expenditure (AME)</b>											
<i>Central Government spending</i>											
B e-filing incentive payments											
-	-	325,000	325,000	-	325,000	-	-	253,000	-		
<b>Non-Budget</b>											
C Operational local clearance procedures											
-	3,500	-	3,500	3,499	1	-	-	1	-		
<b>RfR 2: Growing a contribution to the good management of property where the public interest is involved</b>											
223,101	-	-	223,101	223,100	1	9,171	162	1	-		
<b>Spending in Departmental Expenditure Limits (DEL)</b>											
<i>Central Government spending</i>											
A Administration											
223,101	-	-	223,101	223,100	1	9,171	162	1	-		
<b>RfR 3: Providing payments in lieu of tax relief to certain bodies</b>											
-	-	78,000	78,000	-	78,000	-	-	82,000	93,363		
<b>Spending in Annually Managed Expenditure (AME)</b>											
<i>Central Government spending</i>											
A Payments in lieu of tax relief											
-	-	78,000	78,000	-	78,000	-	-	82,000	93,363		
<b>RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies</b>											
-	41,074	-	41,074	4,203	36,871	-	-	35,418	31,685		

**Part II: Subhead detail**

										£'000	
2006-07 Provision										2005-06 Provision	2004-05 Outturn
Resources						Capital Non- operating A		Net Total	Net Total		
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	in A	Resources	Resources		
1	2	3	4	5	6	7	8	9	10		
<b>Spending in Annually Managed Expenditure (AME)</b>											
<i>Central Government spending</i>											
A	Payments of Local Authority rates										
-	41,074	-	41,074	4,203	36,871	-	-	35,418	31,685		
<b>RfR 5: Payments of Child Benefit and Child Trust Fund endowments</b>											
-	-9,574	10,401,036	10,391,462	-	10,391,462	-	-	10,102,426	9,820,588		
<b>Spending in Annually Managed Expenditure (AME)</b>											
<i>Central Government spending</i>											
A	Children's benefits										
-	-9,574	10,161,036	10,151,462	-	10,151,462	-	-	9,862,426	9,593,009		
B	Child Trust Fund Endowments										
-	-	240,000	240,000	-	240,000	-	-	240,000	227,579		
<b>Total for Estimate:</b>											
<b>4,713,023</b>	<b>102,789</b>	<b>10,804,471</b>	<b>15,620,283</b>	<b>666,664</b>	<b>14,953,619</b>	<b>280,137</b>	<b>3,980</b>	<b>14,795,157</b>	<b>14,039,078</b>		

## Part II: Resource to cash reconciliation

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
<b>Net Resource Requirement</b>	<b>14,953,619</b>	<b>14,795,157</b>	<b>14,039,078</b>
Voted capital items			
Capital	280,137	378,940	475,032
Less Non-operating A-in-A	3,980	4,671	59,723
<b>Total net voted capital</b>	<b>276,157</b>	<b>374,269</b>	<b>415,309</b>
<b>Accruals to cash adjustment</b>			
Adjustments to remove non-cash items:			
Cost of Capital charges	-9,046	-26,000	-10,593
Depreciation	-196,333	-183,499	-297,773
New provisions and adjustments to previous provisions	-60,915	-36,800	-249,170
Profit/loss on sale of assets	-	-	-817
Prior period adjustments	-	-	-
Other non-cash items	-520	-520	-679
Increase (+) / Decrease (-) in stock	-500	-400	16
Increase (+) / Decrease (-) in debtors	34,530	35,006	-17,150
Increase (-) / Decrease (+) in creditors	-1,819	-70,861	-213,289
Use of provisions	10,330	647,433	22,699
<b>Total accruals to cash adjustments</b>	<b>-224,273</b>	<b>364,359</b>	<b>-766,756</b>
<b>Excess cash to be CFERd</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Cash Requirement</b>	<b>15,005,503</b>	<b>15,533,785</b>	<b>13,687,631</b>

### Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	<b>£'000</b>					
	<b>2006-07</b>		<b>2005-06</b>		<b>2004-05</b>	
	<b>Provision</b>		<b>Provision</b>		<b>Outturn</b>	
	<b>Income</b>	<b><i>Receipts</i></b>	<b>Income</b>	<b><i>Receipts</i></b>	<b>Income</b>	<b><i>Receipts</i></b>
Operating income not classified as A in A	-	-	-	-	34,747	-
Non-operating income not classified as A in A	-	-	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	210,000	<i>210,000</i>	338,600	<i>210,000</i>	305,276	<i>214,870</i>
Excess cash receipts to be surrendered to the Consolidated Fund	-	-	-	-	-	-
<b>Total</b>	<b>210,000</b>	<b><i>210,000</i></b>	<b>338,600</b>	<b><i>210,000</i></b>	<b>340,023</b>	<b><i>214,870</i></b>

## Forecast Operating Cost Statement

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
<b>Net Administration Costs</b>			
RfR 1	4,422,301	4,511,360	4,308,674
RfR 2	1	1	-5,889
RfR 3	-	-	-
RfR 4	-	-	-
RfR 5	-	-	-
<b>Total Net Administration costs</b>	<b>4,422,302</b>	<b>4,511,361</b>	<b>4,302,785</b>
<b>Net Programme Costs</b>			
RfR 1	24,984	63,952	-215,232
RfR 2	-	-	-
RfR 3	78,000	82,000	93,363
RfR 4	36,871	35,418	31,685
RfR 5	10,391,462	10,102,426	9,820,588
Non-voted	-	-	-28,858
<b>Total Net Programme costs</b>	<b>10,531,317</b>	<b>10,283,796</b>	<b>9,701,546</b>
<b>Total Net Operating Cost</b>	<b>14,953,619</b>	<b>14,795,157</b>	<b>14,004,331</b>
<i>of which:</i>			
<b>Net Resource Requirement</b>	<b>14,953,619</b>	<b>14,795,157</b>	<b>14,039,078</b>
Non-voted expenditure	-	-	-
Consolidated Fund Extra Receipts	-	-	-34,747
<b>Resource Budget</b>	<b>29,401,279</b>	<b>27,846,821</b>	<b>25,986,804</b>

## Notes to the Main Estimate

### Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
<b>Net Resource Requirement (Estimates)</b>	<b>14,953,619</b>	<b>14,795,157</b>	<b>14,039,078</b>
<i>Adjustments to remove:</i>			
Provision voted for earlier years	-	-	-
<i>Adjustments to additionally include:</i>			
Non-voted expenditure in the OCS	-	-	-
Consolidated Fund Extra Receipts in the OCS	-	-	-34,747
Other adjustments	-	-	-
<b>Net Operating Cost (Accounts)</b>	<b>14,953,619</b>	<b>14,795,157</b>	<b>14,004,331</b>
<i>Adjustments to remove:</i>			
Capital grants	-240,000	-243,000	-227,579
European Union income related to capital grants	-	-	-
Voted expenditure outside the budget	-1	-1	-
<i>Adjustments to additionally include:</i>			
Other Consolidated Fund Extra Receipts	-	-	-
Resource consumption of non departmental public bodies	-	-	-
Unallocated resource provision	60,074	15,501	-
Other adjustments	14,627,587	13,279,164	12,210,052
<b>Resource Budget (Budget)</b>	<b>29,401,279</b>	<b>27,846,821</b>	<b>25,986,804</b>
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	4,522,943	4,674,974	4,390,113
Annually Managed Expenditure (AME)	24,878,336	23,171,847	21,596,691

### Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
<b>Net Voted Capital (Estimates)</b>	<b>276,157</b>	<b>374,269</b>	<b>415,309</b>
<i>Adjustments to remove:</i>			
Gains / losses from sale of capital assets	-	-	-817
<i>Adjustments to additionally include:</i>			
Other Consolidated Fund Extra Receipts	-	-	-
Capital spending by non-departmental public bodies	-	-	-
Capital grants	240,000	243,000	227,579
European Union income related to capital grants	-	-	-
Supported capital expenditure (revenue)	-	-	-
Capital spending by levy funded bodies	-	-	-
Unallocated capital provision	3,739	2,977	-
Other adjustments	-	-	-
<b>Capital Budget (Budget)</b>	<b>519,896</b>	<b>620,246</b>	<b>642,071</b>
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	279,896	380,246	414,492
Annually Managed Expenditure (AME)	240,000	240,000	227,579

## Notes to the Main Estimate (*continued*)

### Explanation of Accounting Officer responsibilities

In accordance with the Government Resources and Accounts Act 2000 the Treasury has made the following Accounting Officer appointments for the Requests for Resources within this Estimate.

<b>Request for Resources 1:</b>	Paul Gray, Deputy Chairman of HM Revenue and Customs
<b>Request for Resources 2:</b>	Andrew Hudson, Chief Executive of the Valuation Office Agency
<b>Request for Resources 3:</b>	David Hartnett, Director General HM Revenue and Customs
<b>Request for Resources 4:</b>	Andrew Hudson, Chief Executive of the Valuation Office Agency
<b>Request for Resources 5:</b>	Paul Gray, Deputy Chairman of HM Revenue and Customs

David Varney as the Principal Accounting Officer of the HM Revenue and Customs has personal responsibility for the proper presentation of the department's resource accounts as prescribed in legislation, or by the Treasury, and their transmission to the Comptroller and Auditor General. The PAO as the permanent head, remains in general overall charge of the HM Revenue and Customs.

The responsibilities of an Accounting Officer are set out in Annex 4.1 of Government Accounting. In essence these responsibilities include a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all the available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the organisation's policies, aims and objectives and should regularly review the effectiveness of that system.

In accordance with Government Accounting requirement the relationship between the Principal Accounting Officer and the Additional Accounting Officer(s) and with their Ministers, together with their respective responsibilities, is set out in writing.

## Notes to the Main Estimate (*continued*)

### Analysis of operating appropriations in aid (A in A)

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
<b>RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements</b>			
<b>Administration</b>	67,621	119,188	64,994
<i>of which:</i>			
Sale of goods and services	48,862	100,429	50,828
Regulatory licences, fines, penalties and taxes	18,759	18,759	14,166
<b>Programme</b>	<b>371,740</b>	<b>368,434</b>	<b>355,145</b>
<i>of which:</i>			
Sale of goods and services	371,605	368,299	355,017
Regulatory licences, fines, penalties and taxes	135	135	128
<b>Total RfR 1</b>	<b>439,361†</b>	<b>487,622</b>	<b>420,139</b>
† Amount that may be applied as operating appropriations in aid in addition to the net total arising from: the recovery of law costs; recovery of the costs of administering the National Insurance Funds and collection of National Insurance contributions; subsidies for New Deal jobseekers employed; receipts for services provided to the Valuation Office Agency, government departments and other bodies; recovery of costs in respect of the Aggregates levy and of seconded and loan staff; charges for the special attendance of officers; and for international commitments; receipts from the sale of publications; from the sale of statistical services and certificates; and from estate management services, including rent receipts from other government departments and private tenants; receipts from the use of certain official cars; receipts from certain tax penalties; EC travelling expenses and receipts from the EC; receipts in respect of Shipbuilders' Relief and local clearance procedures under Single European Authorisations; receipts from insurance and compensation claims; receipts from the Asset Recovery Incentivisation Fund; and marine fuel relief, fees received for the money laundering regulatory regime; recoveries of overpayments in prior years; excess cash receipts; and other miscellaneous administration and programme cost receipts.			
<b>RfR 2: Growing a contribution to the good management of property where the public interest is involved</b>			
<b>Administration</b>	223,100	239,256	198,438
<i>of which:</i>			
Sale of goods and services	223,100	239,256	204,327
CFERs	-	-	-5,889
<b>Total RfR 2</b>	<b>223,100†</b>	<b>239,256</b>	<b>198,438</b>
† Amount that may be applied as operating appropriations in aid in addition to the net total arising from: the recovery of costs of valuation and other services; receipts from the use of certain official cars; receipts from the sale of information and publications; recovery of law costs; rent receipts from other government departments and private tenants; other administration cost receipts.			
<b>RfR 4: Making payments of rates to Local Authorities on behalf of certain bodies</b>			
<b>Programme</b>	4,203	4,161	3,928
<i>of which:</i>			
Sale of goods and services	4,203	4,161	3,928
<b>Total RfR 4</b>	<b>4,203†</b>	<b>4,161</b>	<b>3,928</b>
† Amount that may be applied as operating appropriations in aid in addition to the net total arising from: payment of rates by accredited Commonwealth and foreign countries and certain international organisations; refunds from local authorities and Ministry of Defence property in Gibraltar.			
<b>Total Operating A in A</b>	<b>666,664</b>	<b>731,039</b>	<b>622,505</b>

## Analysis of non-operating appropriations in aid (A in A)

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
<b>RfR 1: Administering the tax and customs control systems fairly and efficiently and making it as easy as possible for individuals and businesses to understand and comply with their obligations and receive their tax credit and other entitlements</b>			
<b>Administration</b>	-	-	-857
<i>of which:</i>			
Sale of assets	-	-	-857
<b>Programme</b>	3,818	4,509	58,560
<i>of which:</i>			
Sale of assets	3,818	4,509	58,560
<b>Total RfR 1</b>	<b>3,818†</b>	<b>4,509</b>	<b>57,703</b>
† Amount that may be applied as non-operating appropriations in aid in addition to the net total arising from: the recovery of income from the sale of fixed assets and from the sale of land and buildings.			
<b>RfR 2: Growing a contribution to the good management of property where the public interest is involved</b>			
<b>Administration</b>	-	-	40
<i>of which:</i>			
Sale of assets	-	-	40
<b>Programme</b>	162	162	1,980
<i>of which:</i>			
Sale of assets	162	162	1,980
<b>Total RfR 2</b>	<b>162†</b>	<b>162</b>	<b>2,020</b>
† Amount that may be applied as non-operating appropriations in aid in addition to the net total arising from: the recovery of income from the sale of assets.			
<b>Total Non-Operating A in A</b>	<b>3,980</b>	<b>4,671</b>	<b>59,723</b>

## Notes to the Main Estimate (*continued*)

### Analysis of Consolidated Fund extra receipts

	<b>£'000</b>					
	<b>2006-07</b>		<b>2005-06</b>		<b>2004-05</b>	
	<b>Provision</b>		<b>Provision</b>		<b>Outturn</b>	
	<b>Income</b>	<b>Receipts</b>	<b>Income</b>	<b>Receipts</b>	<b>Income</b>	<b>Receipts</b>
Fines and penalties ●	185,200	185,200	320,500	191,900	318,860	193,707
Proceeds, less duty, on sales of seized assets ●	6,400	6,400	3,300	3,300	3,560	3,560
Other miscellaneous receipts ●	18,400	18,400	14,800	14,800	17,603	17,603
<b>Total</b>	<b>210,000</b>	<b>210,000</b>	<b>338,600</b>	<b>210,000</b>	<b>340,023</b>	<b>214,870</b>

## Notes to the Main Estimate (*continued*)

### Departmental Expenditure Limits and Administration budgets

	£'000		
	Voted	Non-voted	Total
Resource DEL	4,122,285	400,658	4,522,943
<i>of which:*</i>			
Administration budget	4,422,302	60,074	4,482,376
Near-cash in RDEL	3,845,928	410,988	4,256,916
Capital DEL**	276,157	3,739	279,896
Less Depreciation†	-196,333	-	-196,333
Total DEL	4,202,109	404,397	4,606,506

\* The total of the 'Administration Budget' and 'Near-cash in Resource DEL' figures may well be greater than total resource DEL, due to the definitions overlapping.

\*\* Capital DEL includes items treated as resource in Estimates and accounts but which are treated as Capital DEL in budgets.

† Depreciation, which forms part of resource DEL, is excluded from total DEL since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

### Comparison of provision sought with final provision for the previous year

The total net resource sought for 2006-07 of £14,953,619,000 is 1.1 per cent higher than the final net provision for 2005-06 of £14,795,157,000.

### Cash which may be retained to offset expenditure

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been, or will be, appropriated in aid.	670,644	735,710	682,228

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**Notes to the Main Estimate (*continued*)****Expenditure resting on the sole authority of the Appropriation Act**

The following subheads contain provision sought under the sole authority of Part I of the Estimate and of the confirming Appropriation Act:

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<b>RfR/Section</b>	<b>Service</b>	<b>£'000</b>
A2	The provision of Capital Grants for Tax Stamps	3,000

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